

**ANNAPOLIS WATER DISTRICT**  
**Kitsap County, Washington**  
**January 1, 1992 Through December 31, 1994**

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**Schedule Of Findings**

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1. The District Should Account For Travel Expenses In Accordance With State And Federal Regulations

During our prior audit of Annapolis Water District, our review of travel expenses disclosed the following weaknesses:

- a. The district had no detailed travel policy.
- b. The district did not require written requests for advance travel.
- c. The district did not require an accounting for expenses following the period of travel.
- d. Excess per diem was not reported as taxable income on the employees' W-2s.

The district did not make any significant progress toward improving these weaknesses.

The *Budgeting, Accounting and Reporting System* (BARS) manual, Vol. 1, Pt. 3, Ch. 3 states in part:

The legislative body of each municipality must pass an ordinance or resolution to establish rules and regulations for the reimbursement of travel expenses.

The BARS manual also requires written requests for advance travel.

RCW 42.24.150 states in part:

On or before the tenth day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended . . .

When advances are not accounted for, errors and irregularities may occur and not be discovered by management in a timely manner.

The Bureau of Internal Revenue (IRS) limits the amount of per diem an employee may receive. Under the Family Support Act of 1988, reimbursements which exceed IRS limits are subject to federal income tax withholding, FICA, and FUTA. Employers can be assessed penalties for not complying with these requirements. The district did not report these excessive reimbursements as taxable income on the employees' W-2s.

We again recommend the district amend its travel policies in order to comply with state and federal requirements.